



FINANCIAL RESULTS
Q3 & 9 MONTHS
ENDED SEPTEMBER 30, **2017**

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About this report

The condensed interim consolidated financial statements (refer to section 2 from page 7 to 44) according to K-IFRS are reviewed by our group auditor Ernst & Young Han Young (Ernst & Young Korea) – the review opinion on the quarterly financial statements can be found at the end of this report.

The condensed interim financial statements for the three as well as nine months ended September 30, 2017 included in this report have been prepared in accordance with K-IFRS 1034 and should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance K-IFRS, too. The annual financial statements for the year 2016 can be found on our website www.songwon.com.

All financials disclosed hereunder reflect consolidated numbers in Million KRW where not indicated differently.

Forward-looking statements & information

This report contains forward-looking statements and information concerning the outlook for our business. These statements are based on current expectations, estimates and projections concerning factors that may affect Songwon Industrial Group's future performance, including global and regional economic conditions in the regions, major markets and industries where SONGWON does business. As a result, these forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. These may cause our actual results to differ materially from the forward-looking information and statements made in this report and possibly affect our ability to achieve any, or all of, our stated targets. Songwon Industrial Group believes that the expectations reflected in any forward-looking statement are based upon reasonable assumptions; however, no assurance can be given that these expectations will prove to be correct.

The forward-looking statements contained herein are current only as of the date of this document.

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SECTION 1:

Business Development

Key Financial Data

	Q3 2017			Q3 2016 (restated*)			For the nine months ended September 30,					
	2017			2016			2017			2016		
	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%
Sales of goods	180,832	170,582	6.0%	542,539	532,727	1.8%	542,539	532,727	1.8%	542,539	532,727	1.8%
Gross profit	38,621	41,960	-8.0%	120,618	141,133	-14.5%	120,618	141,133	-14.5%	120,618	141,133	-14.5%
<i>Gross profit margin</i>	21.4%	24.6%		22.2%	26.5%		22.2%	26.5%		22.2%	26.5%	
Operating profit	14,478	16,046	-9.8%	45,966	66,422	-30.8%	45,966	66,422	-30.8%	45,966	66,422	-30.8%
EBITDA*	23,133	24,977	-7.4%	70,723	94,434	-25.1%	70,723	94,434	-25.1%	70,723	94,434	-25.1%
<i>EBITDA margin*</i>	12.8%	14.6%		13.0%	17.7%		13.0%	17.7%		13.0%	17.7%	
EBIT*	15,031	16,288	-7.7%	46,654	68,207	-31.6%	46,654	68,207	-31.6%	46,654	68,207	-31.6%
<i>EBIT margin*</i>	8.3%	9.5%		8.6%	12.8%		8.6%	12.8%		8.6%	12.8%	
Profit for the period	9,473	10,357	-8.5%	30,036	38,150	-21.3%	30,036	38,150	-21.3%	30,036	38,150	-21.3%
Total assets				905,664	840,817	7.7%	905,664	840,817	7.7%	905,664	840,817	7.7%
Total equity				379,410	344,359	10.2%	379,410	344,359	10.2%	379,410	344,359	10.2%
<i>Equity ratio</i>				41.9%	41.0%		41.9%	41.0%		41.9%	41.0%	
Headcounts				956	848	12.7%	956	848	12.7%	956	848	12.7%

*refer to note 2.2 on page 19 for further details

Sales development

Products

	Q3 2017			Q3 2016			For the nine months ended September 30,					
	2017			2016			2017			2016		
	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%
Alkylphenols and Intermediates	10	15	-33.3%	788	1,505	-47.6%	788	1,505	-47.6%	788	1,505	-47.6%
Plasticizers	2,117	2,041	3.7%	6,212	6,632	-6.3%	6,212	6,632	-6.3%	6,212	6,632	-6.3%
Polyester Diols	2,201	2,122	3.7%	8,200	7,960	3.0%	8,200	7,960	3.0%	8,200	7,960	3.0%
Polymer Stabilizers (AOX & UVs)	124,789	119,815	4.2%	376,464	372,066	1.2%	376,464	372,066	1.2%	376,464	372,066	1.2%
Polyurethanes	10,339	10,622	-2.7%	31,459	30,792	2.2%	31,459	30,792	2.2%	31,459	30,792	2.2%
PVC Stabilizers	12,493	10,603	17.8%	35,774	34,118	4.9%	35,774	34,118	4.9%	35,774	34,118	4.9%
SAP and Flocculants	2,271	2,428	-6.5%	6,723	6,774	-0.8%	6,723	6,774	-0.8%	6,723	6,774	-0.8%
Tin Intermediates	20,260	20,699	-2.1%	59,124	63,679	-7.2%	59,124	63,679	-7.2%	59,124	63,679	-7.2%
Others	6,352	2,237	184.0%	17,795	9,201	93.4%	17,795	9,201	93.4%	17,795	9,201	93.4%
Total sales of goods	180,832	170,582	6.0%	542,539	532,727	1.8%	542,539	532,727	1.8%	542,539	532,727	1.8%

Regions

	Q3 2017			Q3 2016			For the nine months ended September 30,					
	2017			2016			2017			2016		
	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%	Million KRW	Million KRW	%
Korea	49,784	45,482	9.5%	146,107	138,474	5.5%	146,107	138,474	5.5%	146,107	138,474	5.5%
Rest of Asia	46,570	43,983	5.9%	138,850	130,214	6.6%	138,850	130,214	6.6%	138,850	130,214	6.6%
Europe	37,828	34,207	10.6%	115,228	116,900	-1.4%	115,228	116,900	-1.4%	115,228	116,900	-1.4%
North and South America	32,364	34,760	-6.9%	106,071	108,425	-2.2%	106,071	108,425	-2.2%	106,071	108,425	-2.2%
Australia	941	400	135.3%	2,024	1,442	40.4%	2,024	1,442	40.4%	2,024	1,442	40.4%
Middle East and Africa	13,345	11,750	13.6%	34,259	37,272	-8.1%	34,259	37,272	-8.1%	34,259	37,272	-8.1%
Total sales of goods	180,832	170,582	6.0%	542,539	532,727	1.8%	542,539	532,727	1.8%	542,539	532,727	1.8%

Business development

During the 3rd quarter of 2017, ended September 30, 2017, Songwon Industrial Group achieved consolidated sales of 180,832 Mil. KRW and a net profit of 9,473 Mil. KRW. This marks a 6.0% increase in revenue when compared to sales for Q3/2016 (170,582 Mil. KRW). For the nine months ended September 30, 2017, the Group achieved sales of 542,539 Mil. KRW (YTD September 2016: 532,727 Mil. KRW) and recorded a net profit of 30,036 Mil. KRW (YTD September 2016: 38,150 Mil. KRW).

In terms of volumes and sales in Q3/2017, SONGWON's performance was in line with the market expectations. The price increases for renegotiated contracts which were implemented in Q2/2017 impacted sales positively in Q3/2017. During this quarter, the strengthening of the EUR compared to USD and KRW also slightly supported SONGWON's sales. In line with the Group's expectations, the first nine months of 2017 has shown stable growth overall, in a market perceived to be quite balanced particularly for antioxidants.

Across all global regions, SONGWON continued to experience strong demand in general. Although Hurricane Harvey caused a temporary decrease in demand in the Americas during Q3/2017, the demand in this region is notably growing, particularly for polymer stabilizers. This growth is mainly due to new polyolefin capacities that have come onstream. However, the global economy remained uncertain throughout Q3/2017, and the prices for raw materials increased which negatively impacted the Group's operating results.

Throughout the 3rd quarter 2017, SONGWON's manufacturing facilities ran steadily and operated at high capacity utilization levels which led to a solid cost position for the Group. Compared to the previous quarter, the implemented price increases were offset by the higher raw material prices and this led to a decrease in the EBITDA and EBIT margins in Q3/2017 to 12.8% (Q2/2017: 14.1%) and to 8.3% (Q2/2017: 9.9%). Also, due to the price concessions implemented in the 2nd half of 2016 and the unfavorable impacts of the FX when compared to previous year, the EBITDA and EBIT margins decreased by 4.7% and 4.2% respectively.

Outlook

SONGWON predicts a strong start to the last quarter of 2017 in terms of sales. However, due to customers' traditional end-of-the-year stock adjustments, SONGWON expects to see a drop in demand in the 2nd half of Q4/2017. In response, the Group plans to continue implementing price increases in the 4th quarter for contracts which have not yet been renegotiated. SONGWON anticipates that this most likely lead to an increase in sales in the financial year 2018.

Continuing to follow its global expansion strategy, SONGWON's 2nd thermoplastic urethane (TPU) production line has been commissioned successfully and will come onstream, in the 4th quarter of 2017. With the extension of its plant in Suwon, South Korea to increase the overall TPU production capacity from 7,000 to 12,000 metric tons a year, and other developments underway, SONGWON sees good reason to expect continuous growth if the demand remains on a stable level. However, SONGWON will continue to remain cautious and vigilantly attentive of the potential for negative surprises in view of the continuously highly volatile levels of political uncertainty and instability in various regions across the world, and as long as the overall global economic situation remains rather modest. The Group will continually review all situations that may arise and ensure that the organization has solid contingency plans in place to deal with any challenges. In future, some of SONGWON's businesses could also possibly experience further benefits from a normalization of the political relations between some important countries in the future, combined with more stringent regulatory changes relating to emission reductions.

Going forward, SONGWON foresees the general demand for its products to continue to grow steadily at a rate which slightly exceeds the global GDP. Although challenges exist, SONGWON will continue to implement its strategy with appropriate financial prudence and seek opportunities that will further support long-term growth while ensuring the stability of SONGWON's core business. The organization is confident that this approach will produce attractive returns in 2018 and beyond.

SECTION 2:

Condensed Interim

Consolidated Financial

Statements

Interim consolidated statement of financial position

	Notes	As at	
		September 30, 2017	December 31, 2016
		Million KRW	Million KRW
ASSETS			
Non-current assets		494,416	481,445
Property, plant and equipment	5.3, 6, 19.3, 20	443,235	431,484
Investment properties	5.3, 19.3, 20	3,536	3,549
Intangible assets	5.3, 7, 19.3	23,881	27,252
Investments accounted for using the equity method	4	7,242	6,552
Available-for-sale financial investments	17	1,350	1,473
Other non-current assets		51	-
Other non-current financial assets	15, 17, 18	11,350	7,198
Deferred tax assets		3,771	3,937
Current assets		411,248	348,078
Inventories	8, 19.3	183,138	155,735
Trade and other receivables	9, 17, 18	136,515	121,709
Income tax receivables		515	540
Other current assets		7,409	3,609
Other current financial assets	17, 18	30,444	17,185
Cash and cash equivalent	10, 17	53,227	49,300
Total assets		905,664	829,523
EQUITY AND LIABILITIES			
Equity		379,410	354,189
<i>Non-controlling interests</i>		<i>-2,589</i>	<i>-2,237</i>
<i>Equity attributable to owners of the parent</i>		<i>381,999</i>	<i>356,426</i>
Issued capital	11	12,000	12,000
Capital surplus	11	24,361	24,361
Reserves	11	27,255	26,919
Retained earnings	11	317,299	290,544
Accumulated other comprehensive income	11.2	1,084	2,602
Non-current liabilities		166,112	174,691
Interest-bearing loans and borrowings	12, 17, 19.3, 21.3	104,787	112,220
Pension liability		9,248	12,848
Other long-term employee-related liabilities		4,235	4,445
Other non-current financial liabilities	15, 17, 21.3	3,829	110
Other non-current liabilities		42	43
Deferred tax liabilities		43,971	45,025
Current liabilities		360,142	300,643
Interest-bearing loans and borrowings	12, 17, 19.3, 21.3	228,800	188,907
Trade and other payables	17, 18, 21.3	116,235	99,662
Other current liabilities		7,147	3,782
Other current financial liabilities	15, 17, 21.3	3,995	638
Income tax payable		3,965	7,654
Total liabilities		526,254	475,334
Total equity and liabilities		905,664	829,523

Interim consolidated statement of financial position

	As at	
	September 30, 2017	December 31, 2016
	Thousand USD	Thousand USD
ASSETS		
Non-current assets	431,175	419,861
Property, plant and equipment	386,539	376,291
Investment properties	3,084	3,095
Intangible assets	20,826	23,766
Investments accounted for using the equity method	6,316	5,714
Available-for-sale financial investments	1,177	1,285
Other non-current assets	44	-
Other non-current financial assets	9,898	6,277
Deferred tax assets	3,291	3,433
Current assets	358,642	303,554
Inventories	159,712	135,814
Trade and other receivables	119,052	106,141
Income tax receivables	449	471
Other current assets	6,461	3,147
Other current financial assets	26,550	14,987
Cash and cash equivalent	46,418	42,994
Total assets	789,817	723,415
EQUITY AND LIABILITIES		
Equity	330,878	308,883
<i>Non-controlling interests</i>	<i>-2,259</i>	<i>-1,952</i>
<i>Equity attributable to owners of the parent</i>	<i>333,137</i>	<i>310,835</i>
Issued capital	10,465	10,465
Capital surplus	21,245	21,245
Reserves	23,769	23,476
Retained earnings	276,713	253,380
Accumulated other comprehensive income	945	2,269
Non-current liabilities	144,864	152,346
Interest-bearing loans and borrowings	91,383	97,866
Pension liability	8,065	11,205
Other long-term employee-related liabilities	3,693	3,876
Other non-current financial liabilities	3,339	96
Other non-current liabilities	37	37
Deferred tax liabilities	38,347	39,266
Current liabilities	314,075	262,186
Interest-bearing loans and borrowings	199,533	164,743
Trade and other payables	101,367	86,914
Other current liabilities	6,233	3,298
Other current financial liabilities	3,484	556
Income tax payable	3,458	6,675
Total liabilities	458,939	414,532
Total equity and liabilities	789,817	723,415

Interim consolidated statement of comprehensive income

	Notes	For the three months ended	
		2017	2016 (restated*)
		Million KRW	Million KRW
Sales of goods	5.1, 5.2, 18	180,832	170,582
Cost of sales	18	-142,211	-128,622
Gross profit		38,621	41,960
Selling and administration costs	18	-24,143	-25,914
Operating profit		14,478	16,046
Other income*	18	532	401
Other expenses*		21	-159
Share of result from investments accounted for using the equity method	4	262	133
Finance income*	18	3,361	7,043
Finance expenses*		-6,328	-6,851
Profit before tax		12,326	16,613
Income tax expenses	13	-2,853	-6,256
Profit for the period		9,473	10,357
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		278	-3,218
Gains on valuation of interest rate swaps	11.2	133	123
Tax effects on valuation of interest rate swaps	11.2, 13	-30	-
Exchange differences on translation of foreign operations	11.2	175	-3,341
Total other comprehensive income, net of taxes		278	-3,218
Total comprehensive income		9,751	7,139
Profit for the period attributable to:			
Owners of the parent	14	9,680	10,591
Non-controlling interests		-207	-234
Profit for the period		9,473	10,357
Total comprehensive income attributable to:			
Owners of the parent		9,966	7,876
Non-controlling interests		-215	-737
Total comprehensive income		9,751	7,139
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	14	403	441

*refer to note 2.2 on page 19 for further details

Interim consolidated statement of comprehensive income

	For the three months ended	
	2017	2016 (restated*)
	Thousand USD	Thousand USD
Sales of goods	157,701	148,762
Cost of sales	-124,020	-112,170
Gross profit	33,681	36,592
Selling and administration costs	-21,055	-22,599
Operating profit	12,626	13,993
Other income*	464	350
Other expenses*	18	-139
Share of result from investments accounted for using the equity method	228	116
Finance income*	2,931	6,142
Finance expenses*	-5,519	-5,975
Profit before tax	10,748	14,487
Income tax expenses	-2,488	-5,456
Profit for the period	8,260	9,031
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	244	-2,807
Gains on valuation of interest rate swaps	116	107
Tax effects on valuation of interest rate swaps	-25	-
Exchange differences on translation of foreign operations	153	-2,914
Total other comprehensive income, net of taxes	244	-2,807
Total comprehensive income	8,504	6,224
Profit for the period attributable to:		
Owners of the parent	8,441	9,236
Non-controlling interests	-181	-205
Profit for the period	8,260	9,031
Total comprehensive income attributable to:		
Owners of the parent	8,691	6,869
Non-controlling interests	-187	-645
Total comprehensive income	8,504	6,224
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	0.35	0.38

*refer to note 2.2 on page 19 for further details.

Interim consolidated statement of comprehensive income

	Notes	For the nine months ended September 30,	
		2017 Million KRW	2016 (restated*) Million KRW
Sales of goods	5.1, 5.2, 18	542,539	532,727
Cost of sales	18	-421,921	-391,594
Gross profit		120,618	141,133
Selling and administration costs	18	-74,652	-74,711
Operating profit		45,966	66,422
Other income*	18	1,442	2,557
Other expenses*		-754	-772
Share of result from investments accounted for using the equity method	4, 22	948	400
Finance income*	18	19,350	21,378
Finance expenses*		-28,652	-33,784
Profit before tax		38,300	56,201
Income tax expenses	13	-8,264	-18,051
Profit for the period		30,036	38,150
Other comprehensive income, net of taxes			
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-1,455	-5,167
Gain / (loss) on valuation of interest rate swaps	11.2	232	-832
Tax effects on valuation of interest rate swaps	11.2, 13	-53	-
Exchange differences on translation of foreign operations	11.2	-1,634	-4,335
Total other comprehensive income, net of taxes		-1,455	-5,167
Total comprehensive income		28,581	32,983
Profit for the period attributable to:			
Owners of the parent	14	30,451	38,823
Non-controlling interests		-415	-673
Profit for the period		30,036	38,150
Total comprehensive income attributable to:			
Owners of the parent		28,933	33,944
Non-controlling interests		-352	-961
Total comprehensive income		28,581	32,983
Earnings per share		KRW	KRW
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	14	1,269	1,618

*refer to note 2.2 on page 19 for further details

Interim consolidated statement of comprehensive income

	For the nine months ended September 30,	
	2017	2016 (restated*)
	Thousand USD	Thousand USD
Sales of goods	473,141	464,584
Cost of sales	-367,952	-341,504
Gross profit	105,189	123,080
Selling and administration costs	-65,103	-65,154
Operating profit	40,086	57,926
Other income*	1,258	2,230
Other expenses*	-658	-673
Share of result from investments accounted for using the equity method	827	349
Finance income*	16,875	18,643
Finance expenses*	-24,987	-29,463
Profit before tax	33,401	49,012
Income tax expenses	-7,207	-15,742
Profit for the period	26,194	33,270
Other comprehensive income, net of taxes		
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	-1,269	-4,506
Gain / (loss) on valuation of interest rate swaps	202	-726
Tax effects on valuation of interest rate swaps	-46	-
Exchange differences on translation of foreign operations	-1,425	-3,780
Total other comprehensive income, net of taxes	-1,269	-4,506
Total comprehensive income	24,925	28,764
Profit for the period attributable to:		
Owners of the parent	26,556	33,857
Non-controlling interests	-362	-587
Profit for the period	26,194	33,270
Total comprehensive income attributable to:		
Owners of the parent	25,232	29,602
Non-controlling interests	-307	-838
Total comprehensive income	24,925	28,764
Earnings per share	USD	USD
Basic / diluted, profit for the period attributable to ordinary equity holders of the parent	1.11	1.41

*refer to note 2.2 on page 19 for further details

Interim consolidated statement of changes in equity

For the nine months ended September 30, 2016 and 2017

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital Surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW		
As at January 1, 2016	12,000	24,361	26,751	250,000	1,357	314,469	1,944	316,413
Profit for the period	-	-	-	38,823	-	38,823	-673	38,150
Loss on valuation of interest rate swaps, net of tax	-	-	-	-	-832	-832	-	-832
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-4,047	-4,047	-288	-4,335
Total comprehensive income	-	-	-	38,823	-4,879	33,944	-961	32,983
Dividends	-	-	-	-1,680	-	-1,680	-	-1,680
Acquisition of non-controlling interests	-	-	-	-317	-	-317	-3,785	-4,102
Disposal of non-controlling interests	-	-	-	-	-	-	745	745
Appropriation to reserves	-	-	168	-168	-	-	-	-
As at September 30, 2016	12,000	24,361	26,919	286,658	-3,522	346,416	-2,057	344,359
As at January 1, 2017	12,000	24,361	26,919	290,544	2,602	356,426	-2,237	354,189
Profit for the period	-	-	-	30,451	-	30,451	-415	30,036
Gain on valuation of interest rate swaps, net of tax	-	-	-	-	179	179	-	179
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,697	-1,697	63	-1,634
Total comprehensive income	-	-	-	30,451	-1,518	28,933	-352	28,581
Dividends	-	-	-	-3,360	-	-3,360	-	-3,360
Appropriation to reserves	-	-	336	-336	-	-	-	-
As at September 30, 2017	12,000	24,361	27,255	317,299	1,084	381,999	-2,589	379,410

Interim consolidated statement of changes in equity

For the nine months ended September 30, 2016 and 2017 (refer to note 2.1)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital Surplus	Reserves	Retained earnings	Accumulated OCI	Total		
	TUSD	TUSD	TUSD	TUSD	TUSD	TUSD		
As at January 1, 2016	10,491	21,298	23,388	218,567	1,186	274,930	1,700	276,630
Profit for the period	-	-	-	33,857	-	33,857	-587	33,270
Loss on valuation of interest rate swaps, net of tax	-	-	-	-	-726	-726	-	-726
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-3,529	-3,529	-251	-3,780
Total comprehensive income	-	-	-	33,857	-4,255	29,602	-838	28,764
Dividends	-	-	-	-1,465	-	-1,465	-	-1,465
Acquisition of non-controlling interests	-	-	-	-276	-	-276	-3,301	-3,577
Disposal of non-controlling interests	-	-	-	-	-	-	650	650
Appropriation to reserves	-	-	147	-147	-	-	-	-
As at September 30, 2016	10,491	21,298	23,535	250,536	-3,069	302,791	-1,789	301,002
As at January 1, 2017	10,465	21,245	23,476	253,380	2,269	310,835	-1,952	308,883
Profit for the period	-	-	-	26,556	-	26,556	-362	26,194
Gain on valuation of interest rate swaps, net of tax	-	-	-	-	156	156	-	156
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-1,480	-1,480	55	-1,425
Total comprehensive income	-	-	-	26,556	-1,324	25,232	-307	24,925
Dividends	-	-	-	-2,930	-	-2,930	-	-2,930
Appropriation to reserves	-	-	293	-293	-	-	-	-
As at September 30, 2017	10,465	21,245	23,769	276,713	945	333,137	-2,259	330,878

Interim consolidated statement of cash flows

	Notes	For the nine months ended September 30,	
		2017 Million KRW	2016 Million KRW
Profit for the period		30,036	38,150
Adjustments total	22	40,092	55,430
Changes in operating assets and liabilities	22	-28,381	12,724
Interest received		273	482
Payment of income tax		-12,898	-28,702
Dividends received from third parties		7	7
Net cash flow from operating activities		29,129	78,091
Proceeds from sale of property, plant and equipment	6	25	47
Proceeds from sale of intangible assets	7	42	-
Proceeds from sale of available-for-sale financial investments		178	-
Purchase of property, plant and equipment	6	-33,549	-18,276
Purchase of intangible assets	7	-508	-274
Purchase of available-for-sale financial investments		-5	-
Investment in a joint venture	4	-	-1,579
Increase of other financial assets, net		-17,483	-10,002
Net cash flow from investing activities		-51,300	-30,084
Proceeds from borrowings (current)		303,356	349,687
Repayment of borrowings (current)		-282,083	-499,543
Proceeds from interest bearing borrowings (non-current)		10,230	122,005
Increase / (decrease) in other financial liabilities, net		5,996	-2,759
Interest paid		-6,997	-8,373
Cash payments to non-controlling interests		-	-3,630
Dividends paid	11	-3,360	-1,680
Net cash flow from financing activities		27,142	-44,293
Increase in cash and cash equivalents		4,971	3,714
Net foreign exchange differences		-1,044	-787
Cash and cash equivalent at January 1,	10	49,300	68,402
Cash and cash equivalent at September 30,	10	53,227	71,329

Interim consolidated statement of cash flows

	For the nine months ended September 30,	
	2017	2016
	Thousand USD	Thousand USD
Profit for the period	26,194	33,270
Adjustments total	34,964	48,340
Changes in operating assets and liabilities	-24,751	11,096
Interest received	238	420
Payment of income tax	-11,248	-25,031
Dividends received from third parties	6	6
Net cash flow from operating activities	25,403	68,102
Proceeds from sale of property, plant and equipment	22	41
Proceeds from sale of intangible assets	37	-
Proceeds from sale of available-for-sale financial investments	155	-
Purchase of property, plant and equipment	-29,258	-15,938
Purchase of intangible assets	-443	-239
Purchase of available-for-sale financial assets	-4	-
Investment in a joint venture	-	-1,377
Increase of other financial assets, net	-15,247	-8,723
Net cash flow from investing activities	-44,738	-26,236
Proceeds from borrowings (current)	264,553	304,957
Repayment of borrowings (current)	-246,001	-435,645
Proceeds from interest bearing borrowings (non-current)	8,921	106,399
Increase / (decrease) in other financial liabilities, net	5,230	-2,406
Interest paid	-6,102	-7,302
Cash payments to non-controlling interests	-	-3,166
Dividends paid	-2,930	-1,465
Net cash flow from financing activities	23,671	-38,627
Increase in cash and cash equivalents	4,336	3,239
Net foreign exchange differences	-912	-686
Cash and cash equivalent at January 1,	42,994	59,652
Cash and cash equivalent at September 30,	46,418	62,205

Notes to the condensed interim consolidated financial statements

1. Corporate information

1.1. The Company

SONGWON Industrial Group (the "Group") consists of the parent company Songwon Industrial Co. Ltd. (the "Company") and its consolidated subsidiaries as listed below. The Company was incorporated on December 15, 1965 under the law of the Republic of Korea to engage in the manufacture and commercial sale of antioxidants, stabilizers and polyurethane. The Company's main manufacturing plants are located in Ulsan, Maeam and Suwon, all in Korea and in Ankleshwar, India. The Company listed its common shares on the Korea Exchange in June 1977 pursuant to the provisions of the Korean Securities and Exchange Act.

1.2. Scope of consolidation

As of September 30, 2017, the scope of consolidation for the consolidated financial statements encompasses 10 entities (2016: 9 entities). Additionally, two entities are classified as joint ventures (2016: 2 entities) and accounted for using the equity method.

In the course of the first nine months ended September 30, 2017 following changes in the legal structure of the Group and scope of consolidation have taken place:

- ⌋ Liquidation of Songwon China Ltd.
- ⌋ Establishment of Songwon EMEA AG and Songwon Management AG
- ⌋ Renaming of Songwon International AG into Songwon Group Holding AG
- ⌋ Renaming of Songwon EMEA AG into Songwon International AG

The consolidated financial statements include the financial statements of the Company and of the subsidiaries listed in the following table. The table also includes joint ventures which are accounted for using the equity method.

Name	Location	September 30, 2017		December 31, 2016	
		Status	Interest	Status	Interest
Consolidated entities					
Songwon Industrial Co., Ltd.	Korea	Parent		Parent	
Songwon International-Japan KK	Japan	Subsidiary	100%	Subsidiary	100%
Songwon China Ltd.	Hong Kong	-	-	Subsidiary	100%
Songwon Specialty Chemicals-India Pvt. Ltd.	India	Subsidiary	100%	Subsidiary	100%
Songwon International-Americas Inc.	USA	Subsidiary	100%	Subsidiary	100%
Songwon International AG (former: Songwon EMEA AG)	Switzerland	Subsidiary	100%	-	-
Songwon Group Holding AG (former: Songwon International AG)	Switzerland	Subsidiary	100%	Subsidiary	100%
Songwon Management AG	Switzerland	Subsidiary	100%	-	-
Songwon ATG GmbH	Germany	Subsidiary	100%	Subsidiary	100%
Songwon International Middle East FZE	UAE	Subsidiary	100%	Subsidiary	100%
Songwon Polysys Additives LLC	UAE	Subsidiary	55.5%	Subsidiary	55.5%

Entities accounted for using the equity method (joint ventures)					
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	China	Joint Venture	30%	Joint Venture	30%
Qingdao Long Fortune Songwon Chemical Co., Ltd.	China	Joint Venture	50%	Joint Venture	50%

2. Basis of preparation

The interim condensed financial statements for the three and nine months ended September 30, 2017 have been prepared in accordance with K-IFRS 1034 – Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS").

The interim condensed financial statements have been prepared on a historical cost basis, except for certain items, such as financial instruments. The financial statements are presented in Korean won (KRW) and all values are rounded to the nearest million (000,000), except when otherwise indicated.

The Group maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with Korea International Financial Reporting Standards ("K-IFRS"). In the event of any differences in interpreting the financial statements or the independent auditors report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

2.1. Convenience translation into United States Dollar

The Parent Company operates primarily in KRW and its official accounting records are maintained in KRW. The US dollars amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. All amounts in Won are expressed in US dollars at the rate of KRW 1,146.67 to USD 1, the exchange rate in effect on September 30, 2017. Such presentation is not in accordance with generally accepted accounting principles, and should not be construed as a representation that the amounts in Won shown could be readily converted, realized or settled in US dollars at this or at any other rate.

2.2. Restatement of prior year figures in consolidated statement of comprehensive income

A decision was made in 2017 to reclassify foreign exchange impacts from other income and expenses into financial income and expenses in order to summarize the impacts of the foreign exchange resulting from the net working capital in the financial results. In Q3/2016, and the nine months ended September 30, 2016, the amount of reclassified gains on foreign exchange differences are 8,342 Million KRW (7,275 Thousand USD) and 7,073 Million KRW (6,168 Thousand USD) respectively. The reclassified losses on foreign exchange differences for Q3/2016 are -13,016 Million KRW (-11,351 Thousand USD), and for the nine months ended September 30, 2016 -11,828 Million KRW (-10,315 Thousand USD) in total. As a result of the reclassifications, the EBIT, EBITDA and the corresponding margins increased for Q3/2016 by 4,674 Million KRW (4,076 Thousand USD) and for the nine months ended September 30, 2016, by 4,755 Million KRW (4,147 Thousand USD) respectively. However, net profit remained unchanged.

3. Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016, except for the adoption of the new standards as of January 1, 2017, listed below:

New and amended standards adopted by the Group

Amendments to K-IFRS 1007 Statement of Cash Flows: Disclosure Initiative

The amendments to K-IFRS 1007 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments were effective for annual periods beginning on or after January 1, 2017, with early application permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to K-IFRS 1012 Recognition of Deferred Tax Assets for unrealized losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments were effective for annual periods beginning on or after January 1, 2017 with early application permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Standards issued but not yet effective

K-IFRS 1109 Financial Instruments

The KASB issued the final version of K-IFRS 1109 Financial Instruments that replaces K-IFRS 1039 Financial Instruments: Recognition and Measurement and all previous versions. K-IFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. The impact on its consolidated financial statements is as follows:

In connection with the adoption of K-IFRS 1109, the Group has not yet undertaken any update on its internal control processes or a change in the accounting system related to the reporting of financial instruments, and has not been able to analyze the financial impact of the new standard on the financial statements; however, the general impacts on the financial statements are as follows:

(1) Financial asset classification and measurement

The new K-IFRS 1109 requires a financial instrument to be classified and measured subsequently at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL), on the basis of the holder's business model and instrument's contractual cash flow characteristics as shown below. The requirements should be applied to an entire financial asset, even if it contains an embedded derivative. That is, in contrast with the requirements of K-IFRS 1039, a derivative embedded within a hybrid (combined) contract containing a financial asset host is not accounted for separately.

Business model	Contractual cash flow characteristics	
	<i>Composed solely of principal and interest</i>	<i>For other cases</i>
Purpose of collecting contractual cash flows	Measured at amortized cost (*1)	
Purpose of collecting and selling contractual cash flows	Measured at FVOCI (*1)	
Purpose of selling, others	Measured at FVTPL	

(*1) can be designated at FVTPL in order to get rid of or reduce accounting mismatch (cannot cancel)

(*2) can be designated at FVOCI in case of equity securities not for held-for-trading purpose (cannot cancel)

The requirements in K-IFRS 1109 to classify financial assets measured at amortized costs or at FVOCI are stricter than K-IFRS 1039, and thus, the proportion of financial assets measured at FVTPL may increase, which may lead to a rise in profit or loss volatility at the adoption of K-IFRS 1109.

(2) *Financial liabilities classification and measurement*

In K-IFRS 1109, fair value changes of financial liabilities at FVTPL attributable to changes in credit risk of the liability shall be presented in other comprehensive income, not in profit or loss. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the new standard allows the recognition of the full amount of changes in the fair value in profit or loss only if the presentation of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The fair value changes of financial liabilities designated at FVTPL that were previously recognized as profit or loss in K-IFRS 1039 will partially be recorded as other comprehensive income and thus profit or loss related to the evaluation of financial liabilities may decrease.

(3) *Impairment: financial assets and contract assets*

In K-IFRS 1039, impairment is recognized only when there is objective evidence of impairment based on incurred loss model. In the new K-IFRS 1109, impairment of debt instruments, lease bonds, contract assets, loan commitments and financial guarantee contracts that are measured at amortized costs or at FVOCI is recognized based on the expected credit loss (ECL) impairment model.

K-IFRS 1109 outlines a 'three-stage' model for impairment based on changes in credit risk since initial recognition. Loss allowance is measured based on the 12-month ECL or life-time ECL which allows early recognition of credit loss compared to the incurred loss model of K-IFRS 1039.

	Classification	Loss allowance
Stage 1	Assets with no significant increase in credit risk since initial recognition (*1)	12-month ECL: expected credit losses that result from default events that are possible within 12 months after the reporting date.
Stage 2	Assets with significant increase in credit risk since initial recognition	
Stage 3	Credit-impaired assets	

(*1) Low credit risk at the end of reporting period may be considered as no significant increase in credit risk.

In K-IFRS 1109, only the accumulated changes in the life-time ECL after initial recognition are taken into account as loss allowance in case credit is impaired at initial recognition of financial assets.

(4) *Hedge accounting*

The new K-IFRS 1109 maintains mechanics of hedge accounting (fair value hedge, cash flow hedge, overseas operations net investment hedge) as set forth in K-IFRS 1039. However, unlike requirements in K-IFRS 1039 that are too complex and strict, K-IFRS 1109 is more practical, principle-based and less strict and focuses on the entity's risk management activities. Also, K-IFRS 1109 allows broader range of hedged items and hedging instruments. Under K-IFRS 1039, a hedge is assessed to be highly effective only if the offset is in the range of 80-125 percentage by performing numerical test of effectiveness. In K-IFRS 1109, such requirements are alleviated.

Transactions not qualifying for hedge accounting requirements of K-IFRS 1039 may now qualify for hedge accounting under K-IFRS 1109, resulting in less volatility in profit or loss.

K-IFRS 1115 Revenue from Contracts with Customers

K-IFRS 1115 establishes a five-step model to account for revenue arising from contracts with customers. Under K-IFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under K-IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

The new standard K-IFRS 1115 applies to all revenue arising from contracts with customers and replaces K-IFRS 1011 Construction Contracts, K-IFRS 1018 Revenue, K-IFRS 2113 Customer Loyalty Programmes and relevant interpretations.

The principles in K-IFRS 1115 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

During the nine months ended September 30, 2017, the Group started analyzing the impact of K-IFRS 1115 on customers contracts. The Group has not yet undertaken any update on its internal control processes or a change in the accounting system in relation to the adoption of K-IFRS 1115, and has not been able to fully analyze the impact of the adoption of K-IFRS on the financial statements. The Group will be analyzing the financial impact of the adoption of K-IFRS 1115 by the end of 2017 and disclose the results in the notes to the financial statements of 2017.

4. Investment accounted for using the equity method

The summarized statement of financial position and comprehensive income of joint ventures (accounted for using the equity method) are as follows:

Statement of financial position	Cash and cash equivalents	Total current assets	Total non-current assets	Current financial liabilities	Total current liabilities	Non-current financial liabilities	Total non-current liabilities	Equity	Carrying amount
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	1,631	7,678	7,333	1,913	2,180	-	-	12,831	3,849
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,802	13,151	3,216	7,482	7,482	3,479	3,479	5,406	2,703
December 31, 2016	4,433	20,829	10,549	9,395	9,662	3,479	3,479	18,237	6,552
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	2,421	8,536	7,537	1,926	2,077	-	-	13,996	4,199
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,960	12,583	3,186	6,092	6,238	3,445	3,445	6,086	3,043
September 30, 2017	4,381	21,119	10,723	8,018	8,315	3,445	3,445	20,082	7,242

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,118	-14	1	-3	936	-234	702	-150	552
Qingdao Long Fortune Songwon Chemical Co., Ltd.	3,602	-25	2	-56	-155	-	-155	-224	-379
For the three months ended September 30, 2016	8,720	-39	3	-59	781	-234	547	-374	173
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	5,884	-18	1	-	598	-150	448	-377	71
Qingdao Long Fortune Songwon Chemical Co., Ltd.	6,798	-61	3	-63	331	-77	254	16	270
For the three months ended September 30, 2017	12,682	-79	4	-63	929	-227	702	-361	341

Statement of comprehensive income	Revenue	Depreciation & Amortization	Interest income	Interest expense	Profit before tax	Income tax expenses	Profit for the period	Other comp. income	Total comp. income
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	15,380	-45	2	-46	3,408	-852	2,556	-217	2,339
Qingdao Long Fortune Songwon Chemical Co., Ltd.	11,419	-56	5	-56	-732	-1	-733	-394	-1,127
For the nine months ended September 30, 2016	26,799	-101	7	-102	2,676	-853	1,823	-611	1,212
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	18,543	-52	2	-11	2,108	-527	1,581	-413	1,168
Qingdao Long Fortune Songwon Chemical Co., Ltd.	19,325	-173	12	-187	1,051	-104	947	-268	679
For the nine months ended September 30, 2017	37,868	-225	14	-198	3,159	-631	2,528	-681	1,847

The changes in the interest in joint ventures are summarized as follows:

	As of January 1, 2016	Additions	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2016
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,276	-	767	-65	3,978
Qingdao Long Fortune Songwon Chemical Co., Ltd.	1,386	1,579	-367	-197	2,401
Total	4,662	1,579	400	-262	6,379

	As of January 1, 2017	Additions	Share of result from equity method revaluation	Exchange rate effects	As of September 30, 2017
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Songwon Baifu Chemicals (Tangshan) Co., Ltd.	3,849	-	474	-124	4,199
Qingdao Long Fortune Songwon Chemical Co., Ltd.	2,703	-	474	-134	3,043
Total	6,552	-	948	-258	7,242

5. Segment information

For management purposes, SONGWON Industrial Group is organized into one main operating segment. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The results from this operating segment are equivalent to the financial statements of the Group as a whole.

The Group is operating worldwide and therefore, discloses geographic segment information.

5.1. Product information

	For the three months ended	
	September 30,	
	2017	2016
	Million KRW	Million KRW
Alkylphenols and Intermediates	10	15
Plasticizers	2,117	2,041
Polyester Diols	2,201	2,122
Polymer Stabilizers (AOX and UVs)	124,789	119,815
Polyurethanes	10,339	10,622
PVC Stabilizers	12,493	10,603
SAP and Flocculants	2,271	2,428
Tin Intermediates	20,260	20,699
Others	6,352	2,237
Total sales of goods	180,832	170,582

	For the nine months ended	
	September 30,	
	2017	2016
	Million KRW	Million KRW
Alkylphenols and Intermediates	788	1,505
Plasticizers	6,212	6,632
Polyester Diols	8,200	7,960
Polymer Stabilizers (AOX and UVs)	376,464	372,066
Polyurethanes	31,459	30,792
PVC Stabilizers	35,774	34,118
SAP and Flocculants	6,723	6,774
Tin Intermediates	59,124	63,679
Others	17,795	9,201
Total sales of goods	542,539	532,727

5.2. Geographic information

	For the three months ended	
	September 30,	
	2017	2016
	Million KRW	Million KRW
Korea	49,784	45,482
Rest of Asia	46,570	43,983
Europe	37,828	34,207
North and South America	32,364	34,760
Australia	941	400
Middle East and Africa	13,345	11,750
Total sales of goods	180,832	170,582

	For the nine months ended	
	September 30,	
	2017	2016
	Million KRW	Million KRW
Korea	146,107	138,474
Rest of Asia	138,850	130,214
Europe	115,228	116,900
North and South America	106,071	108,425
Australia	2,024	1,442
Middle East and Africa	34,259	37,272
Total sales of goods	542,539	532,727

The revenue information above is based on the location of the customer. Korea is disclosed separately due to the size of the material Korean home market whereas all other countries have been summarized to regions. Therefore, no country revenues are disclosed separately.

The Group is not recognizing more revenue than 10% of its total revenue with one client during the reporting periods.

5.3. Non-current assets

	As of	
	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Korea	406,142	395,583
Rest of Asia	24,040	22,836
Europe	17,864	20,313
North and South America	4,999	4,584
Middle East and Africa	17,607	18,969
Total	470,652	462,285

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets.

6. Property, plant and equipment

	Land	Buildings	Structures	Machinery	Other	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost							
At January 1, 2016	147,904	68,374	63,995	445,667	17,300	23,719	766,959
Additions	-	225	-	57	819	16,314	17,415
Disposals	-	-	-	-64	-375	-	-439
Reclassifications	-	16,656	1,553	16,022	321	-34,552	-
Net exchange differences	-	-1,548	-	-1,582	-296	484	-2,942
At September 30, 2016	147,904	83,707	65,548	460,100	17,769	5,965	780,993
At January 1, 2017	147,904	85,352	65,640	462,827	17,895	10,537	790,155
Additions	-	469	6	250	1,379	31,442	33,546
Disposals	-	-	-2	-33	-839	-	-874
Reclassifications	-	4,685	111	27,984	51	-32,831	-
Net exchange differences	-	-813	-	-21	69	-38	-803
At September 30, 2017	147,904	89,693	65,755	491,007	18,555	9,110	822,024
Depreciation							
At January 1, 2016	-	-17,815	-31,201	-273,879	-11,568	-	-334,463
Depreciation charge	-	-1,722	-2,327	-15,324	-1,109	-	-20,482
Disposals	-	-	-	18	350	-	368
Net exchange differences	-	28	-	202	51	-	281
At September 30, 2016	-	-19,509	-33,528	-288,983	-12,276	-	-354,296
At January 1, 2017	-	-20,132	-34,311	-292,056	-12,172	-	-358,671
Depreciation charge	-	-1,797	-2,323	-15,330	-1,177	-	-20,627
Disposals	-	-	2	13	817	-	832
Net exchange differences	-	24	-1	-247	-99	-	-323
At September 30, 2017	-	-21,905	-36,633	-307,620	-12,631	-	-378,789
Net book value							
At September 30, 2017	147,904	67,788	29,122	183,387	5,924	9,110	443,235
At January 1, 2017	147,904	65,220	31,329	170,771	5,723	10,537	431,484
At September 30, 2016	147,904	64,198	32,020	171,117	5,493	5,965	426,697

There was no impairment during the reported financial period. Non-cash transactions amounting to 5,082 Million KRW (YTD September 30, 2016: 1,528 Million KRW) are included in the additions for the nine months ended September 30, 2017.

7. Intangible assets

	Industrial rights	Software	Memberships	Customer relationships	Non-compete contracts	Capitalization process technology	Goodwill	Construction in progress	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Cost									
At January 1, 2016	2,672	2,525	852	31,391	14,812	4,937	41,624	1,486	100,299
Additions	-	184	1	-	-	-	-	89	274
Reclassifications	776	-	-	-	-	-1,116	-	-	-340
Net exchange differences	-	-35	-	-2,011	-938	-266	-2,543	-	-5,793
At September 30, 2016	3,448	2,674	853	29,380	13,874	3,555	39,081	1,575	94,440
At January 1, 2017	3,329	2,772	853	32,351	14,938	3,818	44,890	1,361	104,312
Additions	-	4	-	-	-	-	-	504	508
Disposals	-	-87	-20	-	-	-	-	-	-107
Reclassifications	273	-	-	-	-	-	-	-273	-
Net exchange differences	-1	-47	-2	-2,010	-	-287	-1,474	-	-3,821
At September 30, 2017	3,601	2,642	831	30,341	14,938	3,531	43,416	1,592	100,892
Amortization									
At January 1, 2016	-1,104	-2,161	-	-17,373	-12,025	-1,889	-31,059	-	-65,611
Amortization charge	-250	-148	-	-2,929	-1,833	-549	-	-	-5,709
Reclassifications	-	-	-	-	-	340	-	-	340
Net exchange differences	-	21	-	1,265	880	97	1,973	-	4,236
At September 30, 2016	-1,354	-2,288	-	-19,037	-12,978	-2,001	-29,086	-	-66,744
At January 1, 2017	-1,365	-2,381	-	-21,760	-14,938	-2,301	-34,315	-	-77,060
Amortization charge	-248	-137	-	-2,667	-	-382	-	-	-3,434
Disposals	-	45	-	-	-	-	-	-	45
Net exchange differences	-	29	-	1,576	-	226	1,607	-	3,438
At September 30, 2017	-1,613	-2,444	-	-22,851	-14,938	-2,457	-32,708	-	-77,011
Net book value									
At September 30, 2017	1,988	198	831	7,490	-	1,074	10,708	1,592	23,881
At January 1, 2017	1,964	391	853	10,591	-	1,517	10,575	1,361	27,252
At September 30, 2016	2,094	386	853	10,343	896	1,554	9,995	1,575	27,696

The intangible assets (except goodwill and memberships) are amortized over a finite useful life. The intangible assets with indefinite useful lives are tested for impairment on an annual basis as per December 31. No triggering events occurred in the nine months ended September 30, 2017 and 2016.

8. Inventories

Description	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Raw materials and supplies	36,400	22,999
Work in progress	378	267
Finished goods	117,913	109,064
Goods in transit	28,349	23,228
Consignment stocks	98	177
Total inventories at the lower of cost and net realizable value	183,138	155,735

As of September 30, 2017, inventory write-off amounted to 2,442 Million KRW for raw material and finished goods (December 31, 2016: 1,924 Million KRW).

9. Trade and other receivables

Description	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Trade and notes receivables (net) – third parties	127,828	113,546
Trade and notes receivables (net) – related parties	3,954	4,840
Other receivables (net) – third parties	3,162	2,969
Other receivables (net) – related parties	186	163
Accrued income – third parties	704	137
Accrued income – related parties	681	54
Total	136,515	121,709

Other receivables third parties includes customs, rental income receivables and others.

The movements of the allowance for doubtful receivables are as follows:

	Individually impaired	Collectively impaired	Total
	Million KRW	Million KRW	Million KRW
January 1, 2016	-343	-42	-385
Charge for the period	-169	-307	-476
Unused amounts reversed	81	42	123
September 30, 2016	-431	-307	-738
January 1, 2017	-664	-475	-1,139
Charge for the period	-1,865	-	-1,865
Unused amounts reversed	117	475	592
September 30, 2017	-2,412	-	-2,412

The ageing analysis of trade and other receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			90 days	91-120 days	121-180 days	> 180 days
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
September 30, 2017	136,515	125,947	10,400	126	9	33
December 31, 2016	121,709	109,947	10,469	898	395	-

10. Cash and cash equivalent

Description	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Cash on hand	104	101
Bank accounts	50,665	43,960
Time deposit (< 3 months)	2,458	5,239
Total	53,227	49,300

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three months, depending on the Group's immediate cash requirements, and earn interest at the respective short-term deposit rates.

11. Equity

11.1. Reserves and dividends paid

At the regular general meeting of shareholders, held on March 24, 2017, dividends with a total amount of 3,360 Million KRW were approved by the shareholders. On April 11, 2017 dividends were paid. Legal reserves increased by 336 Million KRW due to the appropriation to the reserve decided by the shareholders on March 24, 2017.

11.2. Accumulated other comprehensive income

Accumulated other comprehensive income, net of tax as of September 30, 2017 and December 31, 2016 is composed of the following:

Description	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Exchange differences on translation of foreign operations	1,087	2,784
Interest rate swaps	-3	-182
Total	1,084	2,602

Details of other comprehensive income for the three months ended September 30, 2017 and 2016 are as follows:

Description	For the three months ended September 30,	
	2017	2016
	Million KRW	Million KRW
Pre-tax amounts:		
Gains on valuation of interest rate swaps	133	123
Exchange differences on translation of foreign operations	175	-3,341
Pre-tax amounts total	308	-3,218
Tax effects:		
(Gains) on valuation of interest rate swaps	-30	-
Tax effects total	-30	-
Net amounts:		
Gains on valuation of interest rate swaps	103	123
Exchange differences on translation of foreign operations	175	-3,341
Net amounts total	278	-3,218

Details of other comprehensive income for the nine months ended September 30, 2017 and 2016 are as follows:

Description	For the nine months ended September 30,	
	2017	2016
	Million KRW	Million KRW
Pre-tax amounts:		
Gain / (loss) on valuation of interest rate swaps	232	-832
Exchange differences on translation of foreign operations	-1,634	-4,335
Pre-tax amounts total	-1,402	-5,167
Tax effects:		
(Gain) / loss on valuation of interest rate swaps	-53	-
Tax effects total	-53	-
Net amounts:		
Gain / (loss) on valuation of interest rate swaps	179	-832
Exchange differences on translation of foreign operations	-1,634	-4,335
Net amounts total	-1,455	-5,167

12. Interest bearing loans and borrowings

Interest-bearing loans and borrowings as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30,	December 31,
	2017	2016
	Million KRW	Million KRW
Long-term borrowings	104,787	112,220
Non-current interest bearing loans and borrowings	104,787	112,220
Current portion of long-term borrowings	21,454	23,720
Short-term borrowings	207,346	165,187
Current interest bearing loans and borrowings	228,800	188,907
Total	333,587	301,127

13. Income tax expenses

The major components of income tax expense in the condensed interim consolidated income statement are as follows:

Income taxes	For the three months ended September 30,	
	2017	2016
	Million KRW	Million KRW
Current income tax charge	-3,286	-5,304
Deferred income taxes related to origination and reversal of deferred taxes	403	-952
Income tax recognized in other comprehensive income	30	-
Income tax expenses	-2,853	-6,256

Income taxes	For the nine months ended September 30,	
	2017	2016
	Million KRW	Million KRW
Current income tax charge	-9,156	-16,887
Deferred income taxes related to origination and reversal of deferred taxes	839	-1,164
Income tax recognized in other comprehensive income	53	-
Income tax expenses	-8,264	-18,051

14. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share as of September 30, 2017 and 2016.

The following reflects the income and share data used in the basic per share computations:

Description	For the three months ended September 30,	
	2017	2016
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	9,680,386,153	10,591,298,301
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	403	441

Description	For the nine months ended September 30,	
	2017	2016
	KRW	KRW
Net profit attributable to ordinary equity holders of the parent	30,450,624,731	38,822,897,803
Weighted average number of ordinary shares	24,000,000	24,000,000
Earnings per share (basic / diluted)	1,269	1,618

15. Derivatives financial instruments

Description	September 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	Million KRW		Million KRW	
Forward foreign exchange contracts (current portion)	-	1,118	-	-
Interest rate swaps (current portion)	-	95	-	128
Interest rate swaps (non-current portion)	91	-	-	108
Total	91	1,213	-	236

15.1. Currency forwards

Currency forward contracts which the Group has entered into in order to hedge the risk of foreign exchange rate fluctuation of assets denominated in foreign currencies as of September 30, 2017 (December 31, 2016: none) are as follows:

As of September 30, 2017

Contractual party	Position	Contract amount	Maturity dates	Contracted exchange rate (Korean won)
Citybank	Sell	EUR 4,200,000	27.10.2017 – 27.12.2017	1,261.00 – 1,261.50
Citybank	Sell	JPY 300,000,000	27.10.2017 – 27.12.2017	10.29
Citybank	Sell	EUR 2,850,000	31.10.2017 – 29.12.2017	1,259.80 – 1,261.80
Kyong Nam Bank	Sell	EUR 1,980,000	27.10.2017 – 27.12.2017	1,270
Woori Bank	Sell	EUR 2,889,000	27.10.2017 – 27.12.2017	1,262

15.2. Interest rate swaps

As of September 30, 2017 the Group had entered into the following interest rate swap contracts:

As of September 30, 2017

Description	Bonds contract	Interest rate swap contract
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	40,000 Million KRW	40,000 Million KRW
Fixed interest rate	N/A	3.48%
Floating interest rate	3MCD+1.90%	3MCD+1.90%
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	60,000 Million KRW	60,000 Million KRW
Fixed interest rate	N/A	3.30%
Floating interest rate	3MCD+1.57%	3MCD+1.57%
Contract date	03.07.2017	03.07.2017
Maturity date	03.07.2020	03.07.2020
Contract amount	10,000 Million KRW	10,000 Million KRW
Fixed interest rate	N/A	2.73%
Floating interest rate	3MCD+1.02%	3MCD+1.02%

As of December 31, 2016 the Group has entered into the following interest rate swaps contract:

As of December 31, 2016

Description	Bonds contract	Interest rate swap contract
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	40,000 Million KRW	40,000 Million KRW
Fixed interest rate	N/A	3.48%
Floating interest rate	3MCD+1.90%	3MCD+1.90%
Contract date	08.03.2016	08.03.2016
Maturity date	08.05.2019	08.05.2019
Contract amount	60,000 Million KRW	60,000 Million KRW
Fixed interest rate	N/A	3.30%
Floating interest rate	3MCD+1.57%	3MCD+1.57%

The Group applies cash flow hedge accounting on interest rate swaps; in the current reporting period and in 2016 there was an interest rate swap designated as cash flow hedge. The balances included in accumulated other comprehensive income are -3 Million KRW as of September 30, 2017 and -182 Million KRW as of December 31, 2016, respectively (refer to Note 11.2), net of income tax.

16. Emission rights and emission liabilities

The Group [in accordance with the Act on Allocation and Trading of Emission Allowances] is issued emission allowances free of charge by government up to the allowable limit. During the year, as the Group emits gasses, a liability is recognized for the obligation to deliver allowances at the end of the year to cover those emissions. This liability is measured at the end of each reporting period by reference to the current market value of the allowances.

Allowances are derecognized on their sale (if sold into the market) or on their delivery to the government in settlement of the entity's obligation to deliver allowance to cover emissions. If the allowances are traded in an active market they are not amortized.

Where any unused allocated emission allowances after their delivery to the government, are sold, a gain or loss on disposal of the allocated emission allowances is subtracted from the cost of emissions; where emission allowances purchased are sold, the gain or loss on disposal is classified as non-operating income or expense; where the allocated emission allowances are sold when it is uncertain whether to achieve a reduction of emissions through the use of emission trading scheme, a difference between the book value and net sales price is recognized as deferred revenue which is offset against the cost of emissions over the period in which the allocated emission allowances pertain to.

A liability (emission obligation) is recognized only where actual emissions exceed the allocated emission allowances, and the cost of emissions is recognized as an operating cost. The liability is measured by adding the following (1) and (2).

- (1) The book value of emission allowances for the year to be delivered to the government
- (2) The best estimate of expenditures, as at the end of a reporting period, in performing emission obligations exceeding the above emission allowances

Where the Group borrows a part of the allocated emission allowances for any of future periods to deliver to the government, it recognizes the borrowed portion as deferred revenue when derecognizing the liability, and offsets the deferred revenue against the actual cost of emission, as it purchases the emission allowances to fill any shortfall in the period which the borrowed emission allowances belong to.

The emission allowances, which are held to obtain short-term trading profits, are measured at fair value, and changes in fair value are recognized as current profit or loss, and changes in the fair value of the emission allowances and the gain or loss on disposal are classified as operating income or expense (or non-operating income or expense).

- 1) *Details of annual quantity of allocated emission allowances as of September 30, 2017 are as follows (Unit: Korean Allowance Unit - KAU):*

	2015	2016	2017	Total
Allocated emission allowances	161,630	153,985	204,928	520,543

- 2) *Changes in emission allowances during the current reporting period are as follows:*

(Units: KAU and Million KRW)

	2015		2016		2017		Total	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Beginning	-	-	32,769	-	-	-	32,769	-
Allocation	161,693	-	154,498	-	151,361	-	467,552	-
Allocation cancel	-63	-	-513	-	-	-	-576	-
Additional allocation	-	-	-	-	53,567	-	53,567	-
Purchase	-	-	22,000	453	-	-	22,000	453
Borrowed (note 1)	-	-	24,319	-	-24,319	-	-	-
Disposal	-	-	-110,581	-	-22,000	-	-132,581	-
Delivery to government	-128,861	-	-122,492	-453	-	-	-251,353	-453
Carryforward	-32,769	-	-	-	-	-	-32,769	-
Ending	-	-	-	-	158,609	-	158,609	-

Note 1: Deferred revenue incurred due to emission allowances amounted to 950 Million KRW as of September 30, 2017 (2016: none). The deferred revenue shall be offset against the cost of emissions when the emission allowances are purchased.

- 3) *There are no changes in emission liabilities during the periods ended September 30, 2017 and December 31, 2016.*
- 4) *Estimated greenhouse gas emissions in 2017 were 122,464 tCO₂-eq (122,464 tCO₂-eq 2016), and permitted greenhouse gas emissions in 2016 were 122,492.*

17. Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	September 30,	December 31,	September 30,	December 31,
	2017	2016	2017	2016
	Million KRW	Million KRW	Million KRW	Million KRW
Financial assets at fair value through OCI	91	-	91	-
Other financial assets (Derivatives)	91	-	91	-
<i>Thereof non-current</i>	91	-	91	-
Loans and receivables	231,445	195,392	231,445	195,392
Other financial assets	41,703	24,383	41,703	24,383
<i>Thereof current</i>	30,444	17,185	30,444	17,185
<i>Thereof non-current</i>	11,259	7,198	11,259	7,198
Trade and other receivables	136,515	121,709	136,515	121,709
<i>Thereof current</i>	136,515	121,709	136,515	121,709
Cash and cash equivalent	53,227	49,300	53,227	49,300
<i>Thereof current</i>	53,227	49,300	53,227	49,300
Available-for-sale financial investments	1,350	1,473	1,350	1,473
<i>Thereof non-current</i>	1,350	1,473	1,350	1,473
Total	232,886	196,865	232,886	196,865

	Carrying amount		Fair value	
	September 30,	December 31,	September 30,	December 31,
	2017	2016	2017	2016
	Million KRW	Million KRW	Million KRW	Million KRW
Financial liabilities at fair value through profit and loss	1,118	-	1,118	-
Other financial liabilities (Derivatives)	1,118	-	1,118	-
<i>Thereof current</i>	1,118	-	1,118	-
Financial liabilities at fair value through OCI	95	236	95	236
Other financial liabilities (Derivatives)	95	236	95	236
<i>Thereof current</i>	95	128	95	128
<i>Thereof non-current</i>	-	108	-	108
Financial liabilities measured at amortized costs	456,433	401,301	456,433	401,301
Interest bearing loans and borrowings	333,587	301,127	333,587	301,127
<i>Thereof current</i>	228,800	188,907	228,800	188,907
<i>Thereof non-current</i>	104,787	112,220	104,787	112,220
Other financial liabilities	6,611	512	6,611	512
<i>Thereof current</i>	2,782	510	2,782	510
<i>Thereof non-current</i>	3,829	2	3,829	2
Trade and other payables	116,235	99,662	116,235	99,662
<i>Thereof current</i>	116,235	99,662	116,235	99,662
Total	457,646	401,537	457,646	401,537

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

-) Cash and cash equivalents, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
-) Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.
-) Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques (refer to note 17.1).

17.1. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Description	Valuation technique
Level 1	Quoted (Unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly
Level 3	Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As of September 30, 2017 and December 31, 2016, the Group held the following financial instruments carried at fair value on the statement of financial position:

	September 30, 2017	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Financial assets at fair value through OCI	91	-	91	-
<i>Derivatives</i>	91	-	91	-
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	1,118	-	1,118	-
<i>Derivatives</i>	1,118	-	1,118	-
Financial liabilities at fair value through OCI	95	-	95	-
<i>Derivatives</i>	95	-	95	-

	December 31, 2016	Level 1	Level 2	Level 3
	Million KRW	Million KRW	Million KRW	Million KRW
Assets measured at fair value				
Available-for-sale financial assets	123	123	-	-
<i>Chemtura Corporation</i>	123	123	-	-
Liabilities measured at fair value				
Financial liabilities at fair value through OCI	236	-	236	-
<i>Derivatives</i>	236	-	236	-

During the reporting periods ending September 30, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

For the financial assets and financial liabilities for which the fair value is disclosed (refer to Note 17) the carrying amount is a reasonable approximation of fair values and is measured using Level 3 measurement methods, except for cash and cash equivalent.

18. Related Party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period and balances as per period-ends.

Related Party	Description	For the nine months ended September 30,	
		2017	2016
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Finance income	627	333
Songwon Moolsan Co., Ltd. (refer to note 18.5)	Selling and administration costs	-38	-38
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint Venture)	Cost of sales	-11,554	-9,797
Qingdao Long Fortune Songwon Chemical Co., Ltd. (Joint Venture)	Sales of goods	11,657	5,694
	Selling and administration costs	-562	-519
	Other income	104	126
	Finance income	89	27
Total	Sales of goods	11,657	5,694
	Cost of sales	-11,554	-9,797
	Selling and administration costs	-600	-557
	Other income	104	126
	Finance income	716	360

Related Party	Description	As at	
		September 30, 2017	December 31, 2016
		Million KRW	Million KRW
Jongho Park, Chairman of the Board of Directors	Trade and other receivables	681	54
	Other current financial assets	28,000	14,000
Songwon Moolsan Co., Ltd. (refer to note 18.5)	Other non-current financial assets	24	24
	Trade and other payables	4	5
Songwon Baifu Chemicals (Tangshan) Co., Ltd. (Joint Venture)	Trade and other payables	788	1,071
Qingdao Long Fortune	Other non-current financial assets	1,722	1,739
Songwon Chemical Co., Ltd. (Joint Venture)	Trade and other receivables	4,140	5,003
	Trade and other payables	-	79
	Other non-current financial assets	1,746	1,763
Total	Trade and other receivables	4,821	5,057
	Other current financial assets	28,000	14,000
	Trade and other payables	792	1,155

18.1. The ultimate parent

Songwon Industrial Co. Ltd. is the ultimate parent based and listed in Korea.

18.2. Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and nine months ended September 30, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2016: none). This assessment is undertaken periodically through examining the financial position of the related party and the market in which the related party operates.

18.3. Transactions with key management personnel

In the first quarter of 2017, the Group granted a loan of 14,000 Million KRW to the Chairman of the Board of Directors of the Group, Jongho Park at usual market conditions. During the second and third quarter of 2017, no loans were granted or repaid.

18.4. Compensation of key management personnel of the Group

Description	For the nine months ended	
	September 30,	
	2017	2016
	Million KRW	Million KRW
Short-term employee benefits	12,155	10,539
Post-employment benefits	606	653
Other long-term benefits	1,131	1,923
Share based payments	-123	479
Total compensation paid to key management personnel	13,769	13,594

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

18.5. Other related parties

Other related parties are Songwon Moolsan Co., Ltd. (Korea) which has significant influence on the Group due to the interest held in the share capital of the parent company of 23.88%. Further, the subsidiary of Songwon Moolsan Co., Ltd., Kyungshin Industrial Co., Ltd., which holds interest in the share capital of the parent company of 9.15%, is identified as a related party of the Group.

19. Commitments and contingencies

19.1. Contingent liability

There are no current proceedings of such as lawsuits, claims, investigations and negotiations due to product liability, mercantile law, environmental protection, health and safety etc. which could have significant influence on business operations, on the Group's financial position or income.

19.2. Operating lease commitments

The Group has entered into commercial leases on certain motor vehicles, items of machinery and offices. These leases have duration between 1 and 30 years with a renewal option included in some contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as of September 30, 2017 and December 31, 2016 are as follows:

Description	As at	
	September 30, 2017	December 31, 2016
	Million KRW	Million KRW
Within one year	-2,015	-2,121
After one year but not more than five years	-8,630	-3,956
More than five years	-2,315	-752
Total	-12,960	-6,829

19.3. Other commitments

As part of the ordinary business, the subsidiaries could enter into various contractual commitments for the purchase of tangible fixed assets and intangible assets as well as investment properties and promotion properties. As of September 30, 2017, commitments to purchase property, plant and equipment, as well as raw materials amounting to 14,914 Million KRW (December 31, 2016: 22,121 Million KRW) were entered.

The Group has provided one blank promissory note to Hanwha Chemical Co., Ltd. as security on the supply contracts.

One check and one promissory note which the Group received from KEB Hana Bank, are outstanding as of September 30, 2017 due to bankruptcy declared by the issuers of check.

Details of the Group's available short-term credit line facilities (excluding general loans) as of September 30, 2017 are as follows:

Description	Currency	Credit limit	Used	Unused
USANCE and L/C for import	Thousand USD	23,900	7,923	15,977
D/A and D/P	Thousand USD	113,000	66,271	46,729
	Million KRW	32,000	17,559	14,441
Trade loans	Million KRW	20,000	-	20,000
Secured loan of credit sales	Million KRW	9,000	9,000	-
Other foreign currency guarantees	Thousand USD	18,270	12,595	5,675
	Total Million KRW	61,000	26,559	34,441
	Total Thousand USD	155,170	86,789	68,381

20. Assets pledged as collateral and guarantees

Details of property, plant and equipment and investment properties pledged by the Group as collateral for interest-bearing loans and borrowings as of September 30, 2017 and December 31, 2016, expressed in the maximum value registered to Korean court, are as follows:

Pledged to		Pledged assets		September 30, 2017	December 31, 2016
<i>Property, plant and equipment</i>					
<i>(Joint collateral in connection with long-term loan)</i>					
Busan Bank	Land, buildings and machinery	MKRW	30,000	30,000	
		TUSD	24,000		24,000
Kyong Nam Bank	Land, buildings and machinery	MKRW	18,000		18,000
<i>Property, plant and equipment</i>					
<i>(Collateral for other than syndicated or long-term loan)</i>					
Korea Development Bank	Land, buildings, investment properties and machinery	MKRW	57,000		57,000
Woori Bank	Land, buildings and machinery	MKRW	120,000		120,000
KEB Hana Bank	Land, buildings and machinery	MKRW	60,000		60,000
Total		MKRW	285,000		285,000
		TUSD	24,000		24,000

No other items of property, plant and equipment are pledged as a collateral for interest-bearing loans and borrowings as of September 30, 2017 (December 31, 2016: none).

The Group has received payment guarantees amounting to 308,061 Million KRW and 69,284 Thousand USD provided by Jongho Park, Chairman of the Board of Directors of the Group, in connection with the Group's borrowings from banks as of September 30, 2017.

The bank deposits pledged as collateral as of September 30, 2017 and December 31, 2016 are as follows:

Description	September 30, 2017	December 31, 2016
Bank deposits – current (in Thousand USD)	2,891	3,017
Bank deposits – non-current (in Thousand USD)	163	-

21. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade accounts and other accounts receivables, cash and cash equivalents and other financial assets that arrive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions and applies hedge accounting for cash flow hedges if applicable.

The Group is exposed to market, credit and liquidity risk. The Group's management oversees the management of these risks through appropriate risk assessment and monitoring activities to minimize their effects.

21.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk:

-) Interest rate risk; and,
-) Foreign currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of September 30, 2017 and 2016 as well as December 31, 2016.

21.1.1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings and bank deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates substantially to the Group's interest-bearing loans and borrowings with floating interest rates, which makes the Group expose to cash flows risk. Responsively, the Group is minimizing the risk partially through interest rate swap contract or choosing the best favorable financing instruments by switching to the loans with more favorable conditions or improving the Group's credit rating.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing loans and borrowings as well as bank deposits with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / (decrease)	Effect on profit before tax
	in %	Million KRW
September 30, 2017	1.00	-869
	-1.00	869
September 30, 2016	1.00	-1,052
	-1.00	1,052

21.1.2. Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The risk of foreign exchange primarily relates to US Dollars (USD), Euro (EUR), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to Indian Rupee (INR).

Foreign exchange risks arise when commercial transactions, recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The objective of the management of foreign currency risk is to maximize the value of the firm through minimizing the fluctuation of net profit and uncertainty arising from the fluctuation in foreign currency. To accomplish this, the Group uses a strategy to accord the collection terms of receivables and payment terms of payables denominated in USD considering the similar volume of exports and imports. In regard to EUR, USD and JPY, the Group manages the risk through currency forward contracts.

Foreign currency sensitivity

The Group carries out a sensitivity analysis for the dominant foreign currencies: US Dollars (USD), Euro (EUR), Japanese Yen (JPY), Chinese Yuan Renminbi (CNY), Swiss Francs (CHF), United Arab Emirates Dirham (AED) and to Indian Rupee (INR). The assumed possible currency fluctuations are based on historical observations and future prognoses. Incorporated into calculations are the financial instruments. The following table demonstrates the sensitivity of consolidated net profit before tax to a reasonably possible shift in exchange rates related to financial instruments held in the balance sheet. Assuming that the other variables are constant but only the foreign exchange rate changes by 10%, the impacts on net profit for the period ended on September 30, 2017 and December 31, 2016 are as follows:

Currency	September 30, 2017		December 31, 2016	
	10% increase	10% decrease	10% increase	10% decrease
	Million KRW	Million KRW	Million KRW	Million KRW
USD	-387	387	674	-674
EUR	-2,762	2,762	-591	591
JPY	-196	196	-3	3
CNY	181	-181	-232	232
CHF	403	-403	28	-28
AED	-90	90	34	-34
INR	1,104	-1,104	1,149	-1,149
Total	-1,747	1,747	1,059	-1,059

The Group's exposure to foreign currency changes for all other currencies is not material.

21.2. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and investing activities.

The Group maintains a policy to keep trade relationship only with the customers with high credit rating assessed by credit assessment considering their financial position, past experience of defaults and other indicators of default. If the credit rating of a customer worsens, the Group sets an individual credit limit on that customer and intensively manages its credit risk. In addition, the Group minimizes the credit risk by maintaining the exposure to the credit risk at insignificant level through ongoing management including periodical reviews of all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 9.

The Group is also exposed to the credit risk with regard to bank deposits, as well as cash and cash equivalents in which the maximum exposure to credit risk at the reporting date is the carrying value. The exposure to the related credit risk, however, is relatively restricted because the Group maintains relationships with the financial institutions with high credit ratings.

21.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to the unfavorable economy of the industry or financial markets.

The Group manages its liquidity risk through its own strategy and plans which consider the maturity of financial instruments and expected operating cash flows and include the policy to map out the maturity of financial assets and liabilities.

In addition, the Group maintains credit facilities with the banks including overdraft to respond to unexpected shortage in liquidity. The Group manages funding schedules and ongoing review procedures, considering the appropriate mix of long-term and short-term loans and borrowings, to maintain the consistency and flexibility in obtaining liquidity and stable financing in response to expansion of the business.

The details of maturity profile of the Group's financial liabilities, excluding financial derivative instruments, based on contractual undiscounted payments as of September 30, 2017 and December 31, 2016 are as follows:

As of September 30, 2017	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	6,524	55,729	166,547	104,787	-	333,587
Other financial liabilities	435	18	2,329	3,829	-	6,611
Trade and other payables	84,334	23,326	8,575	-	-	116,235
Total	91,293	79,073	177,451	108,616	-	456,433

As of December 31, 2016	Less than a month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW	Million KRW
Interest-bearing loans and borrowings	22,685	43,890	122,332	112,220	-	301,127
Other financial liabilities	435	75	-	2	-	512
Trade and other payables	59,274	39,217	1,171	-	-	99,662
Total	82,394	83,182	123,503	112,222	-	401,301

21.4. Capital management

The capital managed by the Group is identical to the total amount of equity presented in the consolidated statement of financial position. The primary objective of the Group's capital management is to ensure its continued ability to provide consistency for its equity shareholders through a combination of capital growth and distribution. In order to achieve this objective, the Group monitors its gearing to balance risk and returns at an acceptable level, and also maintains a sufficient funding base to enable the company to meet its working capital and strategic investment needs. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares considering not only the short-term position, but also its long-term operational and strategic objectives. At Group level the debt ratio is reviewed regularly. The debt-equity ratio as of September 30, 2017 and December 31, 2016 is 139% and 134%, respectively.

On a monthly basis, all subsidiaries have to report key performance indicators, which also include capital management information.

22. Cash flow statement

Cash and cash equivalent in the statement of cash flow are equal to those in the statement of financial position.

The Group's statement of cash flow is prepared using the indirect method. The adjustments to the net profit for the period of the non-cash and non-operating items and changes in operating assets and liabilities for the nine months ended September 30, 2017 and 2016 are as follows:

Adjustments	Notes	For the nine months ended	
		September 30,	
		2017	2016
		Million KRW	Million KRW
Depreciation of property, plant and equipment	6	20,627	20,482
Depreciation of investment properties		8	12
Amortization of intangible assets	7	3,434	5,709
Impairment of non-current financial assets		3	3
Losses on disposal of property, plant and equipment, net		17	24
Loss on disposal of intangible assets, net		20	-
(Gain) on disposal of available-for-sale financial investments		-50	-
Share of result from investments accounted using the equity method	4	-948	-400
Financial income		-6,686	-2,516
Financial expenses		15,403	14,065
Income tax expenses	13	8,264	18,051
Total		40,092	55,430
Changes in operating assets and liabilities			
Trade receivables		-10,852	-15,031
Other receivables		-1,144	1,319
Other current assets		-4,006	-3,662
Other current financial assets		91	-279
Inventories		-30,362	14,386
Trade payables		17,639	3,570
Other payables		28	10,003
Other current financial liabilities		145	-606
Other current liabilities		3,384	7,051
Pension liabilities		-3,205	-5,844
Other long-term employment benefits		-99	1,817
Total		-28,381	12,724

23. Events after the reporting period

No significant events occurred during the period from the statement of financial position date up to the date upon which the interim consolidated financial statements were issued.



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Report on review of interim condensed consolidated financial statements

The Board of Directors and Stockholders Songwon Industrial Co., Ltd.

We have reviewed the accompanying interim condensed consolidated financial statements of Songwon Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises the interim condensed consolidated statement of financial position as at September 30, 2017, and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine month periods ended September 30, 2017 and 2016, all expressed in Korean won, and a summary of significant accounting policies and explanatory notes

Management's responsibility for the financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards 1034 *Interim Financial Reporting* (KIFRS 1034). Also, management is responsible for the design and operation of the Company's internal control to prevent and detect any error or fraud which may cause material misstatement of the interim condensed consolidated financial statements.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with the review standard for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements expressed in Korean won were not prepared, in all material respects, in accordance with KIFRS 1034.

**Other matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2016, and the related consolidated statement of comprehensive income, consolidated statement changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea, and our report dated February 22, 2017 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2016, presented for comparative purpose, are not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

Nov 8, 2017

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